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FOREIGN SERVICE DESPATCH

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SUBJECT: Commission Appointed to Review the Terms of Newfoundland's Union with Canada.

(31) When Newfoundland joined Canada in 1949, Canada agreed to review, by 1957, the terms governing the union of the two countries. Premier Smallwood held a press conference in St. John's on February 22 to announce that Prime Minister St. Laurent had now appointed the Royal Commission that is to undertake the review.

The governing article for the Commission is Term 29 of the Terms of Union, which reads as follows:

"In view of the difficulty of predicting with sufficient accuracy the financial consequences to Newfoundland of becoming a province of Canada, the Government of Canada will appoint a Royal Commission within eight years from the date of Union to review the financial position of the Province of Newfoundland and to recommend the form and scale of additional financial assistance, if any, that may be required by the Government of the Province of Newfoundland to enable it to continue public services at the levels and standards reached subsequent to the date of Union, without resorting to taxation more burdensome, having regard to capacity to pay, than that obtaining generally in the region comprising the Maritime Provinces of Nova Scotia, New Brunswick and Prince Edward Island."

The Chairman of the Commission is Chief Justice John B. McNair of New Brunswick. Premier Smallwood is reportedly extremely pleased with this choice as he considers McNair to be sympathetic with Newfoundland's position and "a great fighter" for the "rights" of the Atlantic Provinces.

The Newfoundland member of the Commission is Chief Justice Sir Albert Walsh, a former Speaker in the Provincial House of Assembly. He is certainly well-fitted for his duties with the Commission as he was one of the negotiators who signed the original Terms of Union in the fall of 1948.

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The third member of the Commission is Mr. John Deutsch, head of the Department of Economic and Political Science at the university of British Columbia. Deutsch was the chief research adviser to the Rowell-Sirois Commission, which, in the late 1930's made a study of federal-provincial relationships. He has had a number of important federal positions. He has travelled extensively in Newfoundland.

Both provincial business and governmental circles are highly satisfied with the make-up of the Commission, which they believe is heavily weighed in Newfoundland's favor. Newfoundlanders are hopeful of receiving substantial help from Ottawa - Premier Smallwood is talking of ten to twenty million dollars as an annual cash grant. The Premier has also suggested that the Province might borrow a total of about 15 years' payments, say, \$175,000,000, and spend it over the first five-year period in order to speed up the improvement of public services.


Kenneth A. Byrns
United States Consul General

Copy to: U.S. Embassy, Ottawa.

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